



Joint Economic Committee

Republicans

Representative Kevin Brady
Vice Chairman

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STATEMENT OF CONGRESSMAN KEVIN BRADY

Driving Innovation and Job Growth through the Life Sciences Industry

Washington, DC - Mr. Chairman, I would like to thank you for holding today's hearing on the life sciences industry. I would also like to welcome all of today's witnesses, especially my fellow Texans, Dr. Arthur Sands and Thomas Kowalski – both highly respected in their fields – and thank them for taking time out of their busy lives to testify today.

America's life sciences industry leads the world with innovations in biomedical science, biotechnology, agriculture, and medical devices. This industry's products help Americans live longer and healthier lives. It employs 1.4 million Americans and accounts for 1/3 of all research and development expenditures by private U.S. firms.

The Joint Economic Committee is holding this hearing today to discover what steps the U.S. government may take to help the life sciences industry prosper and strengthen its competitiveness both here and abroad.

Investment in research and development in life sciences creates good, high-paying jobs; keeps the United States on the cutting edge of global competitiveness; and enhances the quality of life not only for Americans, but for people everywhere.

Yet the upfront cost of investment in this industry is extremely high – companies spend years researching and testing, pouring millions and at times billions of dollars into the research, testing and trials of medical ideas that may never make it to market. Yes, the return can be high – but the investment is highly risky as well.

In this vital area of the economy, America is falling behind. Other countries are increasing their incentives for R&D in an aggressive effort to attract investment and the high-paying jobs that go with it. America's share of the world's research and development pie is shrinking as our global competitors are taking a page from our playbook and beating us at it. In 1981 America led the world as the first to create an R&D tax credit. By 2009 we ranked 24th out of 28 countries in the strength of our R&D incentives.

We need to rethink our approach to incentives. It's time we modernize the R&D tax credit; strengthen it to encourage companies to make even more substantial investments in research and hiring; and make it permanent so businesses and investors have the confidence to make long-term decisions.

At the same time, we should reform the way our overall tax structure operates by lowering the rate and simplifying the code. At 35 percent, the United States has one of the highest corporate tax rates in the world. Our complicated tax structure puts Americans at a disadvantage when competing at home and abroad. More than \$1 trillion in capital earned by American companies and workers is stranded overseas because our tax code strangely penalizes companies for bringing profits home.

As an interim step, we have an opportunity today to temporarily lower tax barriers to incentivize companies to bring those profits back home for investment. The right form of repatriation measure would lower the tax gate and allow private capital to flow back to the United States to be used to create jobs, to expand businesses, and to invest in research.

Additionally, we should examine ways we can help boost incentives even more for the life sciences industry given its unique structure and the benefits it adds to our health and way of life. This could include further strengthening the R&D tax credit, and allowing life sciences companies to claim research expenses paid to universities.

However, we should not limit our considerations of tax provisions only to those benefiting the life sciences industry. The competitive challenges which federal policies pose to life sciences firms merely reflect the tax, trade, and regulatory impediments that all American companies face when competing in global markets.

To begin, we must look at fundamental reform of business taxation:

- We must lower the federal corporate income tax rate to a competitive level, so that both American and foreign firms will make new investments in the United States, creating more and better paying jobs for American workers.
- We must also lower the after-tax cost of making new business investments by moving toward expensing new investments in equipment and software and significantly shortening the tax depreciation schedules for buildings and other structures.
- Finally, we must enact a permanent and generous tax credit for research and development.

Beyond business tax reform, we must continue to open new markets to American exports of goods and services. I call on President Obama to submit the pending free trade agreements with Colombia, Panama, and South Korea to Congress for approval. And we must ensure that intellectual property rights are fully respected by all countries.

Finally, we must reform our regulatory structure to assure that the goals we all share for product safety and a clean environment are achieved in a cost-effective way that does not place undue burdens on American companies or their workers.

I look forward to hearing today's testimony.

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